

Retiring Times

Volume 1 Number 3

Retired State Employees

July 2002

Message from Vermont State Treasurer James Douglas

I want to reassure all of you that your pension fund is sound and your benefits are secure. My office has received dozens of phone calls from State employees who are concerned about the health of their retirement plan in the wake of the Enron and WorldCom scandals. It is unfortunate that press reports of losses in the pension fund caused you any worry, but your plan is just fine. In fact, The State Employees' Retirement Fund had a total return of 2.2% for the year ended March 31, 2002, which means that the fund increased by \$20 million since last April 1.

"My office has received dozens of phone calls from State Employees...in the wake of the Enron and WorldCom scandals."

Let me explain how your pension system works. Yours is a defined benefit, or DB, plan. In a DB plan, your eventual benefit is a con-

tractual responsibility of the State. Your benefit is determined by your number of years of service and your final average compensation, NOT by investment performance. The assets of the plan are invested in both the stock and bond markets because it is the best method to accumulate additional assets.

Right now your plan has a market value that is 94% of all future liabilities. That means that if the plan were suddenly frozen, 94% of all the money needed to provide promised benefits to active and retired participants would already be there on a market value basis. Sounds pretty good, doesn't it? But the next part gets a little more difficult to explain.

The plan retains an actuary to project just what all those future liabilities will be. The actuary makes a lot of assumptions about how long retired people will live and what their benefits will be based on future salaries. In addition,

(continued on page 2)

Message from Director of Retirement Cynthia L. Webster

Our world changed on September 11 with the attacks on New York and Washington. Many of us have friends, family, or business associates in those areas. Some of us may have lost a loved one.

If anyone – you, a member of your family, a colleague, or a friend - is called to active duty during these troubled times, please save the following information on how to obtain retirement credit for time on active duty.

The personnel officer of the Department should report to us that an employee has been called to

active duty. This will notify us of the reason for the cessation of retirement contributions from the member. The individual does not need to contact us when he or she is called to active duty.

However, the individual should contact the Retirement Office as soon as possible after returning to work. He or she should let us know that they were called to active duty and that they have now returned to work. To be eligible for retirement credit, they must return to work within 90 days of discharge from active duty.

(continued on page 2)

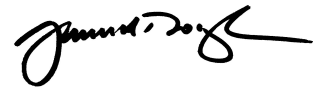
Treasurer's Message (continued from page 1)

the actuary projects asset growth at 8 ½% annual rate. These assumptions are very difficult to predict with complete accuracy, so to compensate both for changes in demographic statistics and investment market fluctuations, the actuary employs a five-year smoothing technique that recognizes only 20% of accumulated investment gains or losses in any one year. After that calculation, the actuarial valuation of assets is \$955 million, or 93% of all future liabilities – still a very well funded plan.

Since three of the last five years had accumulated gains, there are approximately \$10 million more in

additional gains waiting to be absorbed into the system on an actuarial basis – much more than the \$1 million loss in Enron in the fourth quarter. I wish I could report that none of the investment managers had invested in Enron, and I am sure that they wished they had not as well. However, I am pleased to report that our exposure to World-Com was limited to a small investment in a bond portfolio. Thus, the retirement plan remains very healthy and your benefits remain secure.

Please call my office if you have further questions.



July 4, 1776 - July 4, 2002 226 Years of Independence



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Director's Message (continued from page 1)

We will need a copy of the DD214 or other discharge paper, the day that they began active duty, and the day that they finished active duty. We will then determine the amount of retirement credit that they have earned while on active duty.

The retirement credit will cover all periods of active duty, whether it is just a few weeks or a few years. The retirement credit will be based upon the full-time or part-time work that they were doing prior to being called to active duty. (If the individual was not an active member and contributing to the retirement fund at the time that he or she was called to active duty in the military, then retirement credit cannot be granted when that individual finishes active duty military service.)

Third, if a member is injured while on active duty in the military and is unable to return to their employment,

they should still contact us. The intent of the law is to give them full credit toward retirement, and we will try to fulfill that intent of the law. We would also consider disability retirement benefits for members who are permanently disabled and unable to work. A disability retirement would provide a retirement pension upon confirmation of their disabled status by the Board of Trustees. Their pension amount would be determined by the number of years of employment for the State of Vermont.

In summary, the individual only has to return to work within 90 days of discharge, contact the Retirement Office after they return to work, and provide a copy of the DD214 or other discharge paper. If these three things are done, retirement credit will be given for all active duty time in the reserves or national guard.

Cynthia L. Webster

Questions & Answers on the New Health Plans

Q: How does the TotalChoice plan work with Medicare?

A: Under the TotalChoice Plan, there is an annual deductible (\$300 per person; \$600 per family), which must be met before any benefits are paid; then benefits are paid at 80% until you reach your annual out-of-pocket maximum (\$750 per person, \$1,500 for two persons and \$2,250 per family). After that, benefits are paid at 100% for the rest of the year.

Since Medicare is your primary insurer after age 65, the TotalChoice Plan coordinates benefits with Medicare. Medicare pays first. If Medicare has paid 80% or more of an expense, there are no further benefits payable under the TotalChoice Plan. This is because TotalChoice would have paid only 80% if it had been the only coverage. If Medicare pays less than 80%, the TotalChoice Plan will pay the balance, up to 80%.

This is how benefits are coordinated until or unless you have met your annual TotalChoice out-of-pocket limit (\$300 deductible plus \$750 maximum out of pocket, or \$1,050). If you have met the maximum limit, the TotalChoice Plan will coordinate with Medicare up to 100% of charges for the rest of that calendar year. This means that after Medicare pays 80%, the TotalChoice Plan will pay the remaining 20% of charges. This feature is designed to limit a person's out-of-pocket liability under TotalChoice to \$1,050 in a calendar year. Inpatient hospitalizations are covered somewhat differently. Medicare pays 100% of these expenses except for a deductible. The TotalChoice Plan pays 90% of the deductible, leaving the member to pay only 10% of the Medicare deductible.

Q: How does the Vision care benefit work?

A: All plans cover routine exams and lenses up to a maximum of \$100.00 during a two-year period. Frames are not covered. There is no co-pay or deductible with this benefit. If you use a provider other than a regular doctor's office, such as Sears or Lens Crafters, be sure to request a detailed invoice showing the specific amounts of the

exam and lenses. Some of these providers only use "total" billings unless you specifically request a breakout of charges.

With the Vision care plan, you can use either an in-network or out of network provider. The advantage to using an in-network provider is that they will bill CIGNA directly. An out of network provider will ask you to pay the charges upfront; then you will need to submit a claim to CIGNA for reimbursement.

Please visit CIGNA.com for a complete listing of in-network providers, or ask your regular doctor if they bill CIGNA directly.

Q: How does the new prescription (RX) drug plan work?

A: The new drug plan covers all state employees and retirees, regardless of which medical plan you choose. Now your drugs are discounted at both retail and mail order (in the past discounts at retail were limited). Express Scripts administers the entire program. (They have administered the mail order drug plan for many years.) The new drug plan has an annual deductible of \$25 per person, maximum of \$75 per family. This deductible is separate from the medical plan deductible. The \$25 deductible is applied to the first prescription you fill each year whether you buy at a retail pharmacy or through mail order. The plan then pays 80% of the cost of prescriptions either at retail or at mail order. You pay 20% of the cost of each prescription, up to a yearly maximum of \$300 out-of-pocket, per individual. The \$300 maximum is for both your retail and mail ordered drugs combined. When a member's co-pay reaches \$300, the plan covers 100% of prescription costs for that individual for the rest of the year. The state negotiated deep discounts on the cost of drugs with Express Scripts to help hold down costs to members.

Q: Whom do I call if I still have a question after reading this article and browsing the Department of Personnel web page?

A: Call the Employee Benefits Division at 828-0709 or 828-0648.

Changes in Deferred Compensation

The State of Vermont is changing its administrator for the Deferred Compensation program. BenefitsCorp will be replacing Citistreet on October 1, 2002, although the actual transition will start in September.

Major plan features include reduced fees; year-round education, enrollment, and counseling services; a fully interactive Web site to review and modify Deferred Compensation accounts; and a toll-free number for managing accounts

As part of the transition, no investment changes can be made in Deferred Compensation accounts from September 23 through October 14. This allows time for Citistreet to transfer account information to BenefitsCorp and for BenefitsCorp to validate all of the information that it has received.

Your account and investments will remain exactly the same under BenefitsCorp as it was under Citistreet.

As part of the transition, retirees will receive their September AND October payments in September. In other words, retirees will have the October payment advanced to them in September. This will ensure no disruption of income. After the transition, benefit payments will commence with November's payment.

In August, BenefitsCorp will be sending additional information on the transition to all active employees and retirees with Deferred Compensation accounts. Please watch your mail for this information and read it carefully.

Wellness Program benefits are now available to retirees. If you live in the Rutland, Bennington, or Burlington, you should have received information by mail on the Wellness Program locations near you. If you have not, contact the Retirement Office at 828-2305 or 1-800-642-3191 (toll-free in Vermont). Information on other sites around the state will be included in future mailings.

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